

## **Main Questions and Answers at Fiscal 2007 Results Presentation**

Q: What are the biggest reasons for the increase in the balance of individuals' deposits? Also, do you think this trend will continue in the future?

A: Our basic idea is to develop strategies capturing the "shift from savings to investment". It is important to increase sales of investment products while at the same time increasing deposits. We are pursuing a variety of measures to increase deposits, using our branch network in Japan, which is the largest among Japanese banks and is well-balanced in terms of having strong branch presence in the Tokyo, Nagoya and Osaka areas. Specific initiatives include offering free usage of convenience store ATMs to BTMU customers during the daytime on weekdays and our partial abolition of fees on money transfers between branches and head office. An effect of these measures may not be directly visible, but we believe that they are working well, and we intend to continue to focus on increasing our deposit balance.

Q: You have net unrealized losses of around ¥300 billion on investments in securitized products. What impact will this have on your profit and loss in the current fiscal year? The fact that you have net unrealized losses of as much as ¥300 billion is a source of concern for investors.

A: Net unrealized losses do not directly impact our profit and loss account. It is directly affected only by losses on disposal or by impairment losses (in the case that the market value of the securitized products has declined by 50% or more compared to the acquisition price (normal assets) or by 30% or more compared to the acquisition price (assets requiring close monitoring)). However, just because they are unrealized losses does not mean that they

should be taken lightly. Net unrealized losses on investment securities have an impact on Tier 2 capital (note: capital consisting of net unrealized gains, subordinated debt, etc.), and we intend to pay close attention to our overall portfolio of investment securities and the quality of our overall balance sheet, and to take measures to improve them, including making changes to our portfolio.

Q: I think that the transfer to new IT systems will be mostly completed during this year, but what level of expenses related to the transfer to new IT systems do you expect this fiscal year? Also, would I be correct in thinking that there will no longer be such expenses from next fiscal year onward?

A: We have explained that one-off general and administrative expenses relating to business integration, such as the transition to new IT systems, will average around ¥100 billion annually over the period from fiscal 2006 to fiscal 2009. These expenses were broadly in line with our estimates in fiscal 2007, and in fiscal 2008 they should also be broadly according to plan. However, in terms of accounting treatment, investments in IT systems is generally recorded as an asset, and depreciated every year over a set period (with depreciation expenses incurred each year), so it is not true to say that there will be no such expenses from next year onward.

Q: In the presentation, you explained that you consider your strategy for Asia to be a priority area, but average lending balances and profits are increasing not only in Asia, but also in Europe and the Americas. Given these circumstances, what are your reasons for focusing on Asia business?

A: Europe and the Americas are of course important for us, and since the occurrence of the sub-prime problem we are increasingly being asked to become involved in loan deals and so forth.

On the other hand, we are focusing particularly on Asia because it is a region in which faster economic growth is expected. We see good opportunities

now in Asia, and as explained, we are proceeding with strategic investment there. In the future also, our policy is to pursue a strategy that includes seeking non-organic growth opportunities with the objective of increasing our profits. Our investment in CIMB Group of Malaysia, for instance, is one example of this strategy. In addition to investment returns, we also expect to achieve future business growth by expanding our involvement in Islamic bond underwriting.